



COMMISSION NEWS

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TWO BAPTIST FOUNDATION OFFICIALS FACE JAIL TIME FOR ROLES

Baptist Foundation Case Believed to be Largest Affinity Fraud Case in U.S. History

PHOENIX – The case against several Baptist Foundation of Arizona (BFA) officials moved a step closer to conclusion with today's jury verdict. The jury in the Baptist Foundation criminal trial of William Crotts and Thomas Grabinski voted to convict them of three counts of fraud, which are Class 2 felonies. The jury also convicted the men on one count of illegally conducting an enterprise.

William Pierre Crotts is the former president and CEO of the Baptist Foundation of Arizona. Thomas Dale Grabinski is the former senior vice president and general counsel for BFA.

Criminal charges against Lawrence Dwain Hoover, a former BFA board member, are still pending. Crotts, Grabinski and Hoover were indicted by an Arizona State Grand Jury in October 2002. Several other individuals affiliated with the BFA pled guilty to felony charges and agreed to cooperate with the State of Arizona and testify for the State in related proceedings.

The Arizona Corporation Commission's Securities Division ordered the Baptist Foundation to cease and desist from violations of the Arizona Securities Act in August of 1999. BFA filed for bankruptcy later that year, making it the largest non-profit bankruptcy in U.S. history.

"The successful prosecution of Crotts and Grabinski is especially gratifying when our staff has worked so hard to bring the perpetrators of this fraud to justice," Chairman Jeff Hatch-Miller said. "The Arizona Attorney General's Office and the Arizona Corporation Commission have worked tirelessly to bring

closure to the BFA case. Special credit goes to LeRoy Johnson from our staff who acted as a consulting expert for the prosecution and John Fink who was an expert witness for the prosecution.”

“The National White Collar Crime Center (NW3C) provided critical financial analysis and grant funding to assist the state in pursuing such an enormous and complex case,” Commissioner Bill Mundell said. “Affinity fraud continues to plague our state and our country, what makes this fraud case so unique is that the investors have actually gotten money back.”

Approximately 11,000 investors, many of whom were elderly, invested millions of dollars with the Foundation.

“For some people, it was their life’s savings,” Commissioner Mike Gleason said. “Through our prior actions and the liquidation of properties owned by the Foundation, we have been able to recover about 75 percent of the money originally invested and put that back in the hands of the investors.”

At the time of the bankruptcy filing, the Foundation owed 11,000 investors close to \$590 million. Investors were told that their accounts were backed by collateral and that the accounts paid interest greater than most banks. Profits from the investments, investors were told, would go to support various Baptist church activities. In reality, BFA needed a continuous stream of new investors to meet its investment commitments to earlier investors.

Investors have received some funds from the liquidation of BFA assets. Other funds stemming from a \$217 million settlement with accounting firm Arthur Andersen and a \$21 million settlement with the law firm of Jennings, Strouss & Salmon were refunded to investors.

“A guilty verdict for Crotts and Grabinski tells me that justice was done and the guilty will do time to atone for their actions,” Commissioner Kris Mayes said. “This was a long and arduous case for the jurors, too. They deserve our thanks for reaching the right conclusion.”

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